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How should new RIAs choose a tech stack?
By Tobias Salinger
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This is the ninth installment in a Financial Planning series by Chief Correspondent Tobias Salinger on how to build a successful RIA. See the previous stories here, or find them by following Salinger on LinkedIn.

Out of the many types of companies seeking to work with financial advisors in some way, perhaps none are more numerous than the wealth management technology firms.

The famously comprehensive — or infamously so, at this point, due to the sheer volume of listed companies — "Financial AdvisorTech Solutions Map" maintained by Michael Kitces' Nerd's Eye View blog and Craig Iskowitz's Ezra Group consultancy includes so many software and other technology firms that it's astonishing it fits on a single PDF page. They're all competing for integrations into advisors' desktops, which, in industry parlance, refers to the "tech stack" used by wealth management firms to service their clients.

For advisors in the beginning stages of their careers or launching a firm, the combination of necessity for 21st century consumers accustomed to easy interface, manifold tech needs and vendors eager to pitch their services and scale of spending by the largest companies in the industry explains why the choices can be so important and difficult. In fact, another FP series solely devoted to wealthtech, called "Show Me Your Stack," reveals how many different parts of the business revolve around software and how advisors find their own answers to the dilemma.

And that's why experts say advisors should start by figuring out their immediate needs for customer relationship management, custodians, artificial intelligence and other tech, and then think several years into the future about their goals for the business someday.

That means that some of the most expensive and all-encompassing providers "might be the Lamborghini that you don't need just yet," said Leighann Miko, founder of Los Angeles and Portland, Oregon-based RIA firm Equalis Financial and co-founder of advisor services company Avise Financial Cooperative. Instead, advisors could "start with the midsize sedan type of level" offering "that sweet spot in the middle that's going to give you room to grow," she said.

"Advisors have to consider how they plan to grow. The question becomes, will you stay solo, will you build a large team?" Miko said. "That's step one is, what is the actual vision? … I think I lacked that vision a little bit. Some of us as advisors stumble into these bigger teams by accident, and then you grow and you realize,

'Oh, I've got to bring on more support staff, more people to keep up with capacity issues."

The cost, degree that clients will interact with the tech, how one vendor's service works with that of another and whether the collection of them together will enable an advisory practice to grow all figure into the equation, said Andrew Altfest, president of New York-based RIA firm Altfest Personal Wealth Management and co-founder of AI-powered estate, tax and insurance software firm FP Alpha. But those issues relate to execution, rather than the more foundational underlying approach behind an advisor's tech stack.

"You have to look at your strategy, and your strategy needs to be married to your technology," Altfest said. "You have to start with your strategy first."

Rising tech investments

That focus on the key mission could help alleviate some of confusion and possible fear of competing on some level with the giants of the industry who are leveraging millions of dollars in investments toward technology. For example, LPL Financial revealed in December that the firm had spent $500 million in 2024 on tech, including more than 250 product enhancements and the launch of the firm's AI Advisor Solutions toolbox.

And other large firms are racing to keep up, whether through internal development or M&A deals. Last year, the number of transactions involving wealthtech jumped by a third to 138 deals, according to investment bank and consulting firm Echelon Partners. To name a few, that number included Robinhood's acquisition of TradePMR, BlackRock's investment in GeoWealth, Orion's purchase of Summit Wealth Systems, Apex Fintech Solutions' deal to buy AdvisorArch and a unit of Edward Jones' venture bet on Vanilla.

"The wealth management industry has a significant need for improved technology, and there has been a consistently high level of technology adoption across the sector in the past decade," Echelon's 2024 deal report stated. "Due to a decreasing advisor population, an increased client demand for simple and integrated account access and a high level of personalization from the tools they use to invest, financial advisors have been continuously seeking solutions that enhance operational efficiency and meet the latest client demands. This has created great incentives for companies to innovate and has led to supreme demand for wealthtech solutions."

Echelon, which predicted the volume of wealthtech deals to rise further this year, breaks down the field into seven sectors: portfolio management and reporting; financial and retirement planning; risk, compliance and regulation; alternative investment solutions; data and analytics; CRM, marketing and business development; and turnkey asset management platforms and other. The Kitces map uses five general categories of planning, investment management, client engagement, business development and operations, but each of them has several sub-categories such as any number of specialized kinds of planning or eight

different vendors that provide client portals.

Try to keep it simple

At a minimum, advisors will need to consider their choice of custodian and compliance requirements and how they tie into the CRM, portfolio management, trading operations, billing and virtual signature providers, Miko said.

But they must weigh the benefits against the risk of chasing after "the next shiny thing" in a way that is "making life harder by having more systems," she said. "Technology is there to help us, but it can also complicate things."

AI and its data-driven insights carry the power to be "a tremendous catalyst for our business" in terms of saving time, serving the existing base of clients better and connecting with new ones, Altfest said. If a firm has a minimal or nonexistent plan for its adoption of AI, "That in and of itself tells you something," he said.

"We're in an incredible period of what I would call going from tech stack 1.0 to tech stack 2.0," Altfest said. "Those are all great things, but you have to evaluate the tools today for what they are, but also their roadmaps."